



THE SOUTH AFRICAN SAVINGS INSTITUTE

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SASI CEO STATEMENT

AT THE LAUNCH OF LATEST TRENDS IN SA'S SAVINGS AND INVESTMENT HABITS

Old Mutual, 93 Grayston Drive, Isibaya Building, Auditorium, Ground Floor

Thursday 24 November @12:00

Good day ladies and gentlemen,

Today you'll hear more news about the financial behaviour of many consumers mainly from the affluent category of the South African population in metro areas. I hope they are encouraging results, or at least, they will help some of us sober up in as far as managing our finances are concerned. The release of these results comes at a time when we at the Savings Institute are calling on consumers to exercise foresight in our financial practices. The Institute launched our annual Festive Season Savings Campaign (FSSC) 2011 on the 10th November, the objective of which is to remind consumers that there is life after Festive Season and as such, individuals need to factor such a fact in our celebrations over the period November – December. (I believe no one here has a death appointment during these 2 months to warrant exhaustion of the funds at our disposal)

A quick reminder/review of the statistics of concern to the Savings Institute shows:

- i) Gross savings rate 16% of GDP of which households contribute approximately 1.6% with the bulk coming from the corporate sector, while government dis-saves
- ii) Household savings-to-disposable income is roughly zero (0.2%).
- iii) Household debt-to-disposable income is approximately 80% (or slightly below that figure 78.9 to be exact)

- iv) Unemployment is currently sitting at 25.7% (June 2011) – approximately 10 million South Africans work but receive a salary that may not allow them save while 3 million receive a salary out of which they can save, but they don't.

So why the dismal savings figures:

- Attitude towards savings: this can be bundled together with the various versions of savings – different individuals have different views of savings as we have seen various Old Mutual Savings Monitors including today's results.
- Dependency on relatives, communities, the state etc.
- Unemployment – no source of income - no savings
- Lack of financial literacy
- Hopelessness – “low life expectancy” perceptions

The 5th edition of the Old Mutual Savings and Investment Monitor today, addresses the 1st obstacle towards savings. Whereas we all view savings and savings vehicle differently, the statistics I have quoted dwell mainly on the formal vehicles, yet a large percentage of South Africans engages in both. For example: a decade ago, 11 million South Africans belonged to either a stokvel or burial society, pooling together about R8 billion. By 2009, about R5.6 billion was invested in stokvels while R8.4 billion in burial societies.¹

- LSM1: 100% membership to one stokvel
- LSM4, 8 & 10: very active between stokvels, with 16% belonging to more than one.
- Over 30% stokvel members were financially excluded- with students and pensioners topping this category
- Townships, informal dwellings and suburban areas had the highest membership
- Gauteng Province highest while Eastern Cape least

¹ The Stokvel Sector: Opportunities and Challenges, Wits Business School, WBS-2009-5

- Majority of stokvellers had high school and a few with university degrees/technikon certificates or no schooling at all.
- The majority were middle age (35-49) blacks, females outperformed males.

This cocktail clearly makes the role of the formal financial industry a challenging one. The 2010 FinScope survey showed an increase in financial inclusion, with the banking sector penetrating the burial societies in form of funeral cover. So while it is a challenge, it is definitely possible to help more South Africans embrace the formal financial sector.

This publication is released ahead of the Financial Planning week SASI is running with the Financial Planning Institute during 26th November – 2nd December 2011. We hope to expose consumers that are engaging to a greater extent in informal savings, to the work of accredited financial planners. This way they can appreciate the benefit of making their savings available for productive investment as opposed to keeping them under their mattress where the risk of loss is high both in returns to savings and theft. Suffice to say that there many South Africans who opt for non-bank financial products & services by virtue of their livelihood structures, and we just have to accept that.

In our 2nd Edition of the Saver's Review we sought debate on whether and how we can incorporate informal savings into the National Accounts and what the potential effect would be on households' balance sheets. (For example, taking R4 billion as the total informal savings would lead to an increase in household savings rate by 10%, while at R12 billion, a 31% increase is observed.²

SASI will therefore partner with institutions that contribute to the realization of our objectives, mainly:

- Inculcating a culture of saving among South Africans
- Creating awareness about the importance of short medium and long term savings

² SASI Savers' Review, 2nd Edition, 2011

- Providing information to assist in the education of all sectors and tiers of society
- Providing a platform for debate and research that monitors savings habits and patterns especially at higher level.

All this is aimed at securing a sustained growth in the national savings rate thus enhancing the financial health of the nation and the well-being of its citizens.

“My savings, my future”

I thank you!